

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Robert G. Taub, Vice Chairman;
Mark Acton;
Tony L. Hammond; and
Nanci E. Langley

Notice of Market-Dominant
Price Adjustment

Docket No. R2013-7

NOTICE AND ORDER ON MARKET DOMINANT
PRICE ADJUSTMENT FOR INSURANCE

(Issued May 14, 2013)

I. OVERVIEW

On May 10, 2013, the Postal Service filed notice, pursuant to 39 U.S.C. 3622 and 39 CFR 3010, announcing a plan to automatically include, at no additional charge, \$50 or \$100 of insurance coverage with most Priority Mail pieces.¹ The price change is scheduled to take effect July 28, 2013.

Price adjustment description. Currently, the Postal Service charges Priority Mail users a fee of \$1.95 for insurance coverage up to \$50 and \$2.45 for insurance coverage between \$50.01 and \$100. Notice at 2. The Postal Service's principal domestic competitors, FedEx and UPS, include insurance coverage up to \$100 at no extra

¹ United States Postal Service Notice of Market-Dominant Price Adjustment, May 10, 2013 (Notice).

charge. *Id.* The Postal Service asserts that this provides a competitive advantage with shippers, particularly large volume shippers. *Id.* By offering insurance coverage up to \$100, for no additional charge, on most Priority Mail pieces, the Postal Service hopes to improve the competitiveness of Priority Mail and potentially grow its overall market share. *Id.*

The Postal Service plans to offer automatic insurance coverage up to \$100 for no extra charge on all domestic Priority Mail pieces that bear an Intelligent Mail package barcode (IMpb) and for which the mailer pays Commercial Plus prices or uses a “Qualifying Payment Method.”² The Postal Service plans to offer automatic insurance coverage up to \$50 in value on all other domestic Priority Mail pieces that bear an IMpb or other USPS retail tracking barcode.³ *Id.* at 2-3.

Price cap compliance. For the Special Services class of mail, the Postal Service states that it has inflation-based price adjustment authority of 1.053 percent⁴ and unused price adjustment authority of 2.114 percent⁵, neither of which the Postal Service intends to utilize in this docket. *Id.* at 3-4. The Postal Service indicates that by eliminating the fees for the first \$100 (or \$50) of insurance coverage for most Priority Mail pieces, the prices for Special Services class will decrease by 0.452 percent. *Id.* at 5. The Postal Service indicates that after the price change, the unused pricing authority available for the Special Services class will be 3.619. *Id.*

Workshare discounts and preferred rates. The Postal Service asserts the price change does not affect workshare discounts. *Id.* at 7. Apart from basing the amount of automatic insurance on the mailer’s use of certain postage payment methods, the

² Qualifying Payment Methods are limited to ePostage, Electronic Verification System (eVS), Hardcopy Manifest, or an approved Manifest Mailing System. *Id.* at 3 n.2.

³ Automatic insurance coverage will not be offered with Priority Mail pieces sent using Merchandise Return Service, Priority Mail Open and Distribute, or Premium Forwarding Service. *Id.* at 3 n.3.

⁴ This is based on the Consumer Price Index – All Urban Consumers, U.S. All Items (the “CUUR0000SA0” series). *Id.* at 3.

⁵ See Docket No. R2013-1, Order No. 1541 (November 16, 2012), at 72.

Postal Service asserts that the price change does not exclude any mailers and will therefore not affect compliance with any preferred rate requirements. *Id.*

Mail Classification Schedule (MCS). Proposed changes to the MCS, which describe the price change, appear in Attachment A of the Postal Service's Notice.

II. ADMINISTRATIVE ACTIONS

Initiation of proceedings. The Commission hereby establishes Docket No. R2013-7, to review the Postal Service's planned price adjustment. The Postal Service's Notice and any subsequent filings in this docket will be posted to the Commission's website at <http://www.prc.gov>.

Public comment period. The Commission's rules provide a period of 20 days from the date of the Postal Service's filing for public comment. 39 CFR 3010.13(a)(5). Comments by interested persons are due no later than May 30, 2013.

Appointment of Public Representative. In conformance with 39 U.S.C. 505, the Commission appoints Kenneth E. Richardson to represent the interests of the general public in this proceeding.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. R2013-7 to consider the price adjustment to insurance identified in the Postal Service's May 10, 2013 Notice.
2. Comments by interested persons on the planned price adjustments are due no later than May 30, 2013.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Kenneth E. Richardson to represent the interests of the general public in this proceeding.

4. The Commission directs the Secretary of the Commission to arrange for publication of this notice in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary